of the entity. The entity must identify the types of emissions excluded and provide an estimate of the annual quantity of such emissions using methods specified in the Draft Technical Guidelines (incorporated by reference, see §300.13) or by the Simplified Emissions Inventory Tool (SEIT). The results of this estimate of the entity's total annual emissions must be reported to DOE together with the entity's initial entity statement.

(2) After starting to report, each entity that excludes from its annual reports any *de minimis* emissions must reestimate the quantity of excluded emissions after any significant increase in such emissions, or every five years, whichever occurs sooner.

(h) *Separate reporting of domestic and international emissions.* Any non-U.S. emissions included in an entity's emission inventory must be separately reported, by country of origin, and clearly distinguished from emissions originating in the U.S.

(i) *Covered gases.* Entity-wide emissions inventories must include all emissions of the named greenhouse gases listed in §300.2 or subsequently included in this list through the process described in §300.1(f). Entities may report other greenhouse gases, but such gases must be reported separately and emission reductions, if any, associated with such other gases are not eligible for registration.

(j) *Units for reporting.* Emissions and sequestration should be reported in terms of the mass (not volume) of each gas, using metric units (*e.g.*, metric tons of methane). Entity-wide and subentity summations of emissions and reductions from multiple sources must be converted into CO_2 equivalent units using the global warming potentials for each gas in the International Panel on Climate Change's Third Assessment (or most recent) Report, as specified in the Draft Technical Guidelines (incorporated by reference, see §300.13). Entities should specify the units used (*e.g.*, kilograms, or metric tons). Reporting entities may need to use the standard conversion factors specified in the Draft Technical Guidelines to convert existing data into the common units required in the entity-level report. Emissions from the consumption of purchased electricity must be reported by region (from the list provided by DOE in the Draft Technical Guidelines) or country, if outside the United States. Consumption of purchased steam or chilled/hot water must be reported according to the type of system and fuel used to generate it (from the list provided by DOE in the Draft Technical Guidelines). Entities must convert purchased energy to CO_2 equivalents using the conversion factors in the Draft Technical Guidelines. Entities should also provide the physical quantities of each type of purchased energy covered by their reports.

§300.7 Net emission reductions.

(a) Entities that intend to register emission reductions achieved after 2002 must comply with the requirements of this section. Entities may voluntarily follow these procedures if they want to demonstrate the achievement of net, entity-wide reductions prior to 2003. Only large emitters must follow the requirements of paragraph (b) of this section, but small emitters may do so voluntarily. Only entities that qualify as small emitters may use the special procedures in paragraph (c) of this section. Entities seeking to register emission reductions achieved by third parties (offsets) must certify that these emission reductions were calculated in a manner consistent with the requirements of paragraph (d) of this section and use the emission reduction calculation methods identified in §300.8. All entities seeking to register emission reductions must comply with the requirements of paragraph (e) of this section. Only reductions in the emissions of the named greenhouse gases listed in §300.2 are eligible for registration.

(b) *Assessing net emission reductions for large emitters.* (1) Entity-wide reporting is a prerequisite for registering emission reductions by entities with average annual emissions more than 10,000 metric tons of CO_2 equivalent. Net annual entity-wide emission reductions must be based, to the maximum extent practicable, on a full assessment and sum total of all changes in an entity's

emissions, avoided emissions and sequestration relative to the entity's established base period(s). This assessment must include all entity emissions, including the emissions associated with any non-U.S. operations covered by the entity statement. It must include the annual changes in the total emissions of the entity or, alternatively, the total emissions of each of the subentities identified in its entity statement. All changes in emissions, avoided emissions, and sequestration must be determined using methods that are consistent with the guidelines described in § 300.8.

(2) If it is not practicable to assess the changes in net emissions resulting from certain entity activities using at least one of the methods described in § 300.8, the reporting entity may exclude them from its estimate of net emission reductions. The reporting entity must identify as one or more distinct subentities the sources of emissions excluded for this reason and describe the reasons why it was not practicable to assess the changes that had occurred. DOE believes that few emission sources will be excluded for this reason, but has identified at least two situations where such an exclusion would be warranted. For example, it is likely to be impossible to assess the emission changes associated with a new manufacturing plant that produces a product for which the entity has no historical record of emissions or emissions intensity (emissions per unit of product output). However, once the new plant has been operational for a full year, a base period and base value(s) for the new plant could be established and its emission changes might be assessed in the following year. Until the emission changes of this new subentity could be assessed, it should be identified in the entity's report as a subentity for which no assessment of emission changes is practicable. The other example involves a subentity that has reduced its output below the levels of its base period. In such a case, the subentity could not use the absolute emissions method and may also be unable to identify an effective intensity metric or other method.

(3) A reporting entity should also exclude from the entity-wide assessment of changes in emissions, avoided emissions and sequestration any emissions or sequestration that have been excluded from the entity's inventory. All *de minimis* or biogenic emissions excluded from the entity's inventory of greenhouse gas emissions should also be excluded from its assessments of emission changes.

(c) *Assessing emission reductions for entities with small emissions.* (1) Entities with average annual emissions of less than or equal to 10,000 metric tons of CO_2 equivalent are not required to inventory their total emissions or assess all changes in their emissions, avoided emissions and sequestration to qualify for registered reductions. These entities may register emission reductions that have occurred since 2002 and that are associated with one or more specific activities, as long as they:

(i) Perform a complete assessment of the annual emissions and sequestration associated with each of the activities upon which they report, using methods that meet the same data quality requirements applicable to entity-wide emission inventories; and

(ii) Determine the changes in the emissions, avoided emissions or sequestration associated with each of these activities.

(2) An entity reporting as a small emitter must report on one or more specific activities and is encouraged, but not required to report on all activities occurring within the entity boundary. Examples of small emitter activities include: Vehicle operations; product manufacturing processes; building operations or a distinct part thereof, such as lighting; livestock operations; crop management; or power generation. For example, a farmer managing several woodlots and also producing a wheat crop may report emission reductions associated with managing an individual woodlot. However, the farmer must also assess and report the net sequestration resulting from managing all the woodlots within the entity's boundary. The small emitter is not required to report on emissions or reductions associated with growing the wheat crop.

(3) A small emitter must certify that the reductions reported were not

caused by actions likely to cause increases in emissions elsewhere within the entity's operations. This certification should be based on an assessment of the likely direct and indirect effects of the actions taken to reduce greenhouse gas emissions.

(d) *Net emission reductions achieved by third parties (offset reductions or emission reductions submitted by aggregators).* A reporting entity or aggregator under certain conditions may register net emission reductions achieved by third parties. A large emitter that is reporting on behalf of other entities must meet all of the requirements applicable to large emitters, including submission of an entity statement, an emissions inventory, and an entity-wide assessment of emission reductions. If an aggregator is a small emitter, it may choose to report only on the activities, emissions and emission reductions of the third parties on behalf of which it is reporting and not to report on any of its own activities or emission reductions. The reporting entity or aggregator must include in its report all of the information on the third party, including an entity statement, an emissions inventory (when required), an assessment of emission reductions and appropriate certifications, that would be required if the third party were directly reporting to EIA. The report to DOE must also include a certification by the third party indicating that it has agreed that the reporting entity or aggregator should be recognized as the entity responsible for any registered reductions and that the third party does not intend to report directly to DOE. The net emissions reductions (or increases) of each third party will be evaluated separately by EIA to determine whether they are eligible for registration. The registered reductions for each third party will be included in EIA's summary of all registered reductions reported by the responsible entity. EIA will also include in the entity's summary report any emission increases by such a third party. If the agreement between the reporting entity and any third party is discontinued, for any reason, all emission reductions or emissions attributable to the third party would be removed by EIA from the records of the reporting entity.

(e) *Adjusting for year-to-year increases in net emissions.* (1) Normally, net annual emission reductions for an entity are calculated by summing the net annual changes in emissions, avoided emissions and sequestration, as determined using the calculation methods identified in § 300.8 and according to the procedures described in § 300.7 (b) for large emitters, § 300.7 (c) for small emitters, and § 300.7 (d) for offsets. However, if the entity experienced a net increase in emissions for one or more years, these increases must be reported and taken into account in calculating any future year reductions. If the entity subsequently achieves net annual emission reductions, the net increases experienced in the preceding year(s) must be more than offset by these reductions before the entity can once again register emission reductions. For example, if an entity achieved a net emission reduction of 5,000 metric tons of CO_2 equivalent in its first year, a net increase of 2,000 metric tons in its second year, and a net reduction of 3,000 metric tons in its third year, it would be able to register a 5,000 metric ton reduction in its first year, no reduction in its second year, and a 1,000 metric ton reduction in its third year (3,000–2,000). The entity must file full reports for each of these three years. Its report for the second year would indicate the net increase in emissions and this increase would be noted in EIA's summary of the entity's report for that year and for any future year, until the emissions increase was entirely offset by subsequent emission reductions. If this same entity achieved a net reduction of only 1,000 metric tons in its third year, it would not be able to register additional reductions until it had, in some future year, offset more than its second year increase of 2,000 metric tons.

§ 300.8 Calculating emission reductions.

(a) *Choosing Appropriate Emission Reduction Calculation Methods.* (1) An entity must choose the method or methods it will use to calculate emission reductions from the list provided in paragraph (h) of this section. Each of the